

France, Emphasizing U.S. Ties, Will Sign Pact on Disney Park

By Axel Krause International Herald Tribune PARIS — Prime Minister Jacques Chirac...

CGCT, France's second-largest telecommunications company, to a joint venture led by American Telephone & Telegraph Co. of the United States.

Italy Cites Terrorist Network

Killing Is Called Proof of French, German Links

ROME — The assassination of an Italian Air Force general confirms Italian links with leftist guerrilla groups in France and West Germany...



President Corazon C. Aquino waving to the crowd at the military academy Sunday.

Aquino Vows to Defeat Insurgents

MANILA — President Corazon C. Aquino of the Philippines said Sunday that her peace initiatives had failed...

Addressing troops from a grandstand where a bomb killed four persons and wounded more than 40 Wednesday, she said: "I told you when we were discussing the peace initiatives that when they fail, as we feared they would, and when it becomes necessary to take out the sword of war, that I want a string of honorable military victories."

Reproach By Soviet On Arms

Karpov Doubts U.S. Readiness To Scrap Missiles

MOSCOW — The Soviet Union charged Sunday that the United States was attempting to back out of a proposed agreement on eliminating intermediate-range missiles based in Europe.

Kiosk Léotard Assails Pasqua Action

PARIS (Reuters) — Culture Minister François Léotard, distancing himself Sunday from a government anti-pornography drive, described efforts to ban certain sex magazines as an "astounding political error."

Yugoslav Leader Vows To Put Down Dissent

BELGRADE — Prime Minister Branko Mikulic of Yugoslavia was quoted Sunday as saying that Yugoslavia would use "all means," including military, to defend the Communist political system in the face of strikes and political dissent.

From Beirut to Oil Fields, Shiites Fight Ancient Foe: Arab Order

CAIRO — From the bleak, stony hills of southern Lebanon to the oil fields of the Gulf, Shiite Moslems inspired by Ayatollah Ruhollah Khomeini's Iranian revolution have emerged as a formidable, if unstable, political force in the Middle East.

Unfamiliarity of Enemy Complicates War on Heroin Trade in New York

NEW YORK — As the Mafia's role declines, the multibillion-dollar heroin trade in New York is increasingly being conducted by criminal organizations that together sound like a United Nations of drug smugglers, including Chinese, Thai, Pakistani, Indians, Iranians, Afghans, Nigerians and Israelis.

Microsoft Corp.'s Chairman, the First Billionaire in Personal Computers, Is Known as "Billion Dollar Bill" for Just a Day

PARIS (Reuters) — Culture Minister François Léotard, distancing himself Sunday from a government anti-pornography drive, described efforts to ban certain sex magazines as an "astounding political error."

A Brash Best-Seller in Moscow Magazine Pushes Limits of Gorbachev's Openness Campaign

MOSCOW — The article in the magazine Ogonyok was a masterpiece of bare-knuckled brevity. First, it quoted Felix F. Kuznetsov, head of the Moscow branch of the writers' union, as disparaging Vladimir Nabokov, the émigré author, as anti-Soviet.

Microchip

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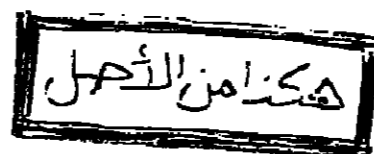
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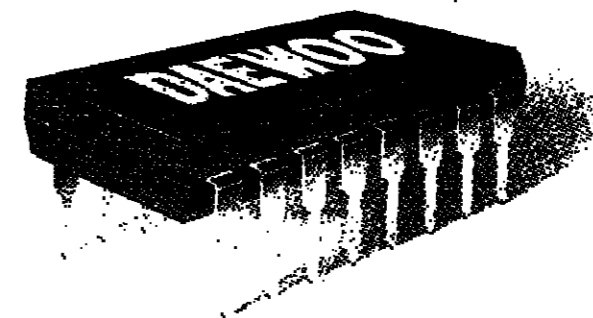
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Iranian Offensive Is Coming, Analysts Say

By Patrick E. Tyler Washington Post Service
TEHRAN — After nearly a year's preparation for a long-threatened "final offensive" against Iraq in the Gulf war, Iran is conducting a major industrial and manpower mobilization that Western analysts predict will lead to a powerful military blow on the southern front in coming weeks.
Mobilization is evident throughout the country, according to Iranian and Western sources.
In the capital, hundreds of young Revolutionary Guards rallied at a hotel in central Tehran last week chanting war slogans. In a display of war fervor, they began firing their automatic weapons into the air over the crowded city center.
The Ministry of War Information and other state organizations have accompanied the mobilization with a propaganda push urging Iran's 48 million people to make greater sacrifices to win the "imposed war," which Iraq began in September 1980.
Last week, Tehran radio broadcasts announced the departures of tens of thousands of fresh basij, or volunteer, fighters to the southern front in advance of Saturday's Persian new year, the date by which Iranian leaders had promised to launch a decisive blow against Iraq.
Sources estimate that 40,000 to 50,000 fresh basij fighters are positioned to lead an attack around the southern town of Basra, Iraq's second-largest city, which has been pounded by Iranian artillery since they gained new ground against the city's outer defenses in January.
After that battle, Iran's spiritual leader, Ayatollah Ruhollah Kho-

Baker Expects No Big-Iran Developments

(Continued from Page 1)
WASHINGTON — Howard H. Baker Jr., the White House chief of staff, predicted Sunday that there would be no "big, new, devastating development" that could undermine President Ronald Reagan's recovery from the Iran-contra affair.
Citing his internal review of the affair, Mr. Baker said Mr. Reagan would overcome the crisis caused by U.S. arms sales to Iran and the diversion of some of the profits to Nicaraguan rebels, known as contras.
He said he expected the president to be in firm control of the government until his term ends in 1988.
"it depends, of course, on what else develops," Mr. Baker said on a television program Sunday. Since he was appointed chief of staff last month, he said he had "looked very hard" for new developments in the affair that Mr. Reagan might need to confront. "I haven't found any," he said.

ARMS: Soviet Says U.S. Is Trying to Back Out on Accord

(Continued from Page 1)
Gorbachev and President Ronald Reagan. Secretary of State George P. Shultz is scheduled to visit Moscow April 13-15.
Mr. Karпов's remarks provide the first official indication in Moscow that the future of the proposed missiles accord, which has improved the climate of U.S.-Soviet relations, is far from certain.
Published on the eve of a meeting in Moscow of Warsaw Pact foreign ministers and the upcoming visit of Prime Minister Margaret Thatcher of Britain, it may also reflect a Soviet desire to project a

tough negotiating style to its allies and to those of the United States until the terms of the agreement are fixed, Western diplomats said.
In the interview, Mr. Karпов reiterated the Soviet interest in such an arms accord, saying that "an agreement on the elimination of Euro-missiles can be prepared in the course of three to four, or five to six months at most."
U.S. officials, including the chief arms negotiator, Max Kampelman, have predicted that a U.S.-Soviet missile agreement could be signed this year.
Mr. Karпов said, however, that a proposal by the U.S. delegation to

DRUGS: New Traffickers in U.S. ITALY: 'Proof' of Network

(Continued from Page 1)
aging U.S. cases against the Mafia, including the "pizza connection" trial that ended March 2 in the conviction of the former chief of the Sicilian Mafia and 16 other defendants for operating a drug smuggling ring from Sicily to Brazil to the Middle West.
In the last two years, increasing numbers of major heroin cases in New York have involved criminal organizations of Chinese, Pakistani, Israeli and West Africans.
Law enforcement officials say a recent flurry of cases against these groups are "test cases" into which they do not completely understand. It may take years to understand fully how these gangs are organized, they say, how they make contacts with organizations distributing the drug in New York ghettos and how they take their profits out of the country.
"They prey on their own with extortion and protection rackets," said Ronald Goldstock, the director of the New York State Organized Crime Task Force, "in a culture where people don't go to the police and where most police don't speak the language."
Evidence abounds that gangs of ethnic Chinese from Thailand, Hong Kong, Malaysia, Taiwan and China are shipping large quantities of heroin into the United States. Since January 1986, U.S. agents have seized more than 200 pounds (more than 90 kilograms) of heroin in New York, worth hundreds of

ITALY: 'Proof' of Network

(Continued from Page 1)
may visit Paris for more detailed inquiries.
Until recently, officials here believed that Italian guerrillas had remained on the margin of efforts to modify West European guerrilla groups that targeted North Atlantic Treaty Organization nations.
But the Red Army Faction in West Germany used the names of former members of the Red Brigades in two attacks last year, and four members of Direct Action arrested in Paris last month were reported to have told investigators that actions were being prepared against Italian targets.
Mr. Scalfaro said that protection against such attacks was almost impossible. "One cannot protect numerous targets of such a wide campaign against the world of industry and defense," he said.

SHIITE: From Beirut to Oil Fields, They Fight Ancient Foe: Arab Order

(Continued from Page 1)
said that attempts by outsiders to mediate the Gulf war or the plight of hostages ran into difficulty "because mediation is something with strong negative religious connotations."
The Islamic revolution of Ayatollah Khomeini that toppled the shah of Iran, who was seen as the most powerful U.S. ally in the region, proved a historical watershed in 1979.
Iraq, with a Shiite majority controlled by President Saddam Hussein's secular Ba'athist regime, has been a prime target for the export of Ayatollah Khomeini's revolution. As an unalterable condition for ending its war with Iraq, Iran has demanded the removal of Mr. Hussein.
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of justice, in the southern Lebanese city of Tyre.
Before he disappeared during a visit to Libya in 1978, Musa Sadr forged the economic, political, and eventually military, movement known as Amal. "Arms are the adornment of the man," he declared.
Amal, now under the leadership of Justice Minister Nabih Berri, has been primarily a reformist movement seeking a fairer share of power in a Lebanese government. But in the last few years it has been increasingly challenged by the pro-Iranian Hezbollah.
Before the Syrian troops arrived, Hezbollah plastered the once-gated streets of West Beirut with portraits of Ayatollah Khomeini calling for the creation of an Islamic Republic.
"The Shia 'street' is very different than 1982, when Amal represented moderate reformism," said Colonel Norton. "They were middle of the road, but the road has moved way over to the flank."

Magazine Reports Ayatollah Tricked U.S. on Arms Deal

WASHINGTON — The Ayatollah Ruhollah Khomeini personally directed an elaborate plan to trick the United States into selling arms to Tehran, a U.S. magazine has reported.
U.S. News and World Report, quoting sources in the Middle East, said Saturday: "It was not the United States that made overtures to Iran, but the reverse. And the Iranians had no real interest in strategic relations with America."
The report said Ayatollah Khomeini, Iran's spiritual leader, had reports circulated of his failing health and of a factional struggle between pro-West and fundamentalist forces in Iran. His aim was to duped the United States into making overtures about developing relations with a post-Khomeini Iran.
"U.S. News and World Report, quoting sources in the Middle East, said Saturday: "It was not the United States that made overtures to Iran, but the reverse. And the Iranians had no real interest in strategic relations with America."

Abduction Plan Reported

Members of Direct Action planned to kidnap a nuclear energy official and force him to divulge details of France's neutron bomb technology, the weekly Le Point said Sunday, Reuters reported from Paris.
The weekly said the arrest of two Direct Action leaders, Jean-Marc Rouillon and Nathalie Menigon, at their farmhouse hideout on Feb. 21, was just 48 hours before they planned to carry out the kidnap.

Mafia Elections Set for May

VALETTA, Malta — Prime Minister Karmenu Mifsud Bonnici announced Sunday that a general election, the fifth since Malta gained independence from Britain in 1964, will be held May 9. The single-chamber legislature of 65 members was dissolved Feb. 14.

Mutual Funds

Table with columns for fund names, assets, and performance metrics. Includes entries like AARP Inv, Art Museum, and various international and domestic funds.

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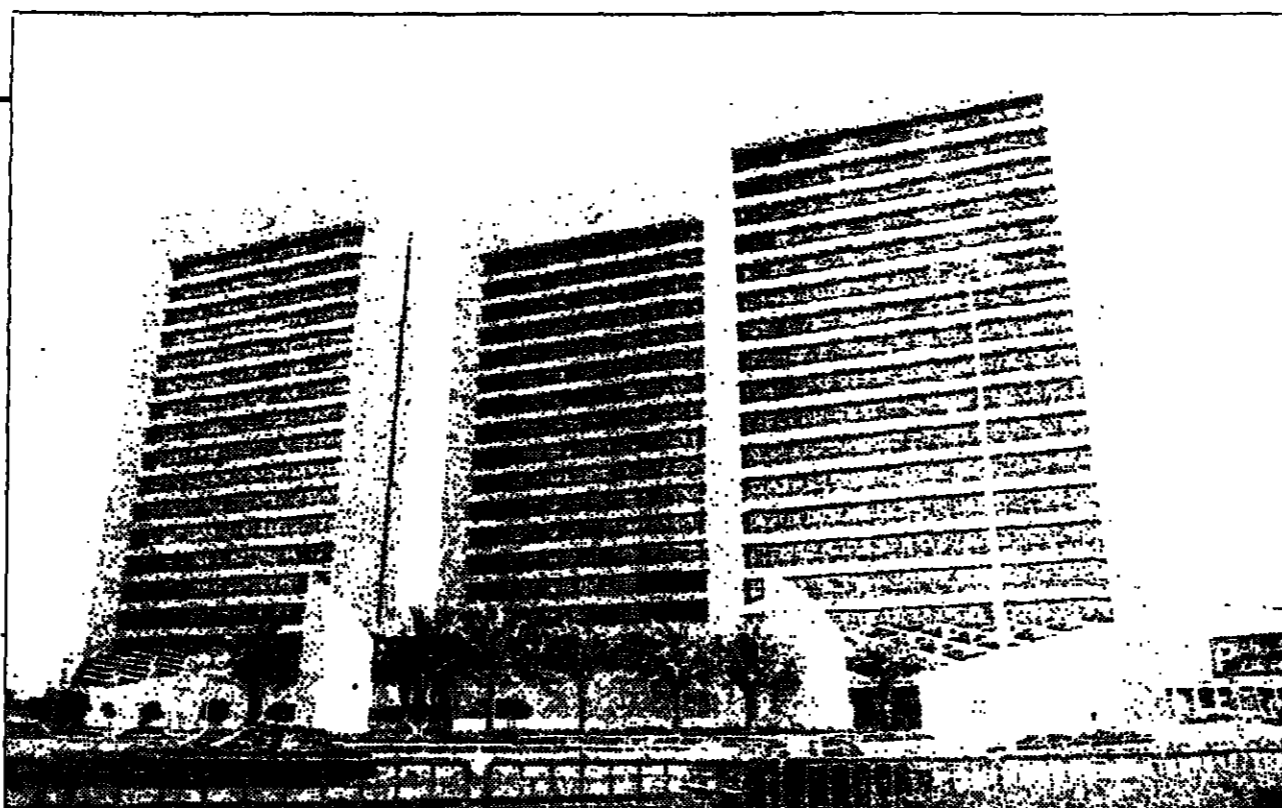
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KUWAIT

Since independence in 1961, Kuwait has developed one of the soundest oil-based economies, coupled with a strong international investment policy. It has been more perceptive than most in creating essential infrastructures: hospitals, colleges, a large university and advanced communications. Its path to prosperity, however, has not been trouble-free. Over the past six months, Kuwaiti bankers have been implementing a unique government rescue package to cover the bad debts incurred after the highly disruptive local stock-market crash in 1982. The 'Settlement Program,' as it is called, is the envy of many world bankers. Some see the program as a model for other would-be loan defaulters.



Joint banking center.

Kuwait is humming with activity again and back on course as the financial and economic dynamo of the Gulf. Contractors are working night and day to double the size of the building which houses the Central Bank of Kuwait, the state's central banking authority. Across the nearby souk area, the adjacent towers of the newly opened Kuwait Finance House and the nearly completed 20-story Alahli Bank pierce the blue sky: a few hundred paces away the three 18-story towers of the joint banking center stand, close by to the Gulf Bank and the Commercial Bank of Kuwait.

Facing them is the black shiny glass building that houses the two-year-old Stock Exchange. Seen through its walls, like in a silent movie, robed Arab brokers, as if performing some mysterious ritual, gather in small groups, expand in size and break away in hectic activity as trading carries on as usual.

This is the new Kuwait. And if confidence can be measured in concrete and glass, or the relaxed smiles of Kuwait's bankers, not to mention the sum total of financial assets, Kuwait is clearly in the black. And so it should be, now that the Central Bank has pumped billions of dollars into the system to help rescue the six thousand or so debtors after the stock-market debacle of 1982.

The financial community is heaving a sigh of relief. Ever since the Central Bank announced the Settlement Program in its final intervention last August, bankers and their clients have been working feverishly to reschedule non-performing loans and other liabilities. And every banker and merchant hopes that the collapse of the stock market will pass into history as just a bad dream. It was a disaster for many and also affected Kuwait's image as a whole.

Bankers today feel that, overall, the stock-market collapse put the country's economic position into a false perspective. As one leading financier explains: "You must consider the overall strength of our foreign reserves, our per

Bank of Kuwait. "Luckily we had this lesson four years ago. If it had happened in ten years time we might not have been able to handle the problem. We are solid rich here. Oil prices have begun to go up a little, our production costs are relatively cheap, and this has provided us with a built-in economic cushion. Now the economic wheel is beginning to turn again and we are stronger than ever before."

According to Dr. Youssef A. Al Awadi, chief general manager and chief executive of the Gulf Bank, Kuwait's second largest in terms of assets (KWD 1.8 billion or \$6.5 billion in December 1986), now that the Central Bank has guaranteed the solvency of the commercial banks, the latter will be able to generate adequate operating profits and distribute reasonable dividends to their shareholders.

"The government's decision has greatly comforted us and cured any doubts that might have remained about our getting support," added Dr. Youssef. "We are now putting all our effort into making the loan settlement program a success and every move is being monitored at the highest level. We hope to complete our rescheduling within about nine months time."

At the privately owned National Bank of Kuwait, which, because of shrewd strategic planning, suffered less from non-performing loans than its competitors, Mr. Ibrahim Shukri Dabdoub, chief general manager, comments: "We have been through some of the most turbulent years, but now I have a very good feeling that we are back to normal." He views the Souk Al-Manakh as a catalyst "which speeded up the deflationary process. The good side to it all was that we were shocked into realizing our true economic position."

Arriving at a solution was not easy. There were disagreements, dismissals and resignations, as well as suspension of the National Assembly. The Settlement Program announced last August by the Central Bank provided

(Continued on page 10)

capita income (one of the highest in the world at more than \$15,000), our mineral resources and the tremendous strength of government and private assets overseas."

Kuwait has enough oil to last well into the second half of the next century, the interest from its published overseas assets are enough to keep its current account in the black, and its official reserves are sufficient to purchase enough imports to last another one and a half years. Few industrialized countries, if any, can match that position. "Of course, I am not trying to paint a completely rosy picture,"

said the financier. "We do have a financial problem, but we are coping with it."

The difficulty lies in how to bail out the bad debts and keep the banking system intact without offering preferential treatment to any one party and without being misunderstood.

The collapse was a tough lesson, but, according to one banker, it could not have come at a better time. "This is a very rich country. People forget that," says Mr. Raid M. Al Hamad, deputy general manager of The Commercial

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From Pearls to Petroleum

During the 'roaring twenties' when Europe was in an upswing whirl of prosperity, Kuwaiti traders came to London and Paris to sell pearls, the only resource which they had to bargain. Those early travelers gained an insight into Europe and a different perspective on the world at large, an advantage which they were quick to develop in the years ahead. Investment in education has also played a key role. Today the traders are back, but this time with "Q8" road tankers and gas stations.

Kuwait is different from the other Arab Gulf countries and has always had to depend on its own initiative to survive economically. Those early pearl traders and seafarers knew the way of the world, something their families today have never forgotten. Now the Kuwaitis are trading petroleum in Europe, produced from their own wells, refined in their own plants and sold at their own gas stations in Europe. Oil, their one resource which will last well into the next century, has replaced the pearls. In addition they now have the money from the oil, money which was employed with considerable wisdom during the 1950s and 1960s.

Sheikh Ali Jaber Al-Ali Al-Sabah, Kuwait Petroleum Corporation's marketing chief and a member of Kuwait's ruling family, believes that his country's investment in education during the early days just prior to and during independence was one of the wisest decisions made. It is now paying dividends in terms of human resources.

"If we had not been better educated I don't know what would have happened to this country," says Sheikh Ali, who studied in the United States and Lebanon. He also believes that because his country had been blessed



Sheikh Ali Jaber Al-Ali Al-Sabah, Managing Director, Marketing, Kuwait Petroleum Corporation, showing new 'Q8' delivery trucks in Europe.

with oil wealth far beyond its own needs, it has a moral commitment to make its surpluses available to the rest of the world.

One of the most astute moves by the Kuwaitis was the creation of the Fund for Future Generations into which a percentage of all oil revenues is automatically invested. This fund is now said to total more than \$37 billion. As its name implies, the fund is a hedge against the day when the oil runs out. Oil is now being produced at just under one million barrels a day, compared to about 1.4 million b/d during 1986. According to Kuwait Petroleum Corporation (KPC) officials, output could be boosted anytime to 2.5 million b/d.

Sheikh Ali has been blazing a trail for Kuwait's oil products in Europe, where gas is now being sold under the brand name of "Q8." KPC now has around 3,000 gas stations throughout continental Europe. KPC has also acquired, as from last October, 800 gas stations in the U.K. through its acquisition of Hays Petroleum. It has also just announced an agreement to acquire the U.K. gas station network of Ultramar, which, when the agreement is completed, will add a further 465 gas stations to the network. Sheikh Ali hopes to see more outlets

throughout the rest of Europe in the not-too-distant future, in addition to its refineries in Holland and Denmark.

"We would like to be No.2 or No.3 in all Europe but we've got a long way to go yet," says Sheikh Ali, who sees KPC's long-term policy as one of partial integration "because there will always be third party sales of oil." Another reason is that competing on the international downstream market also means competing with major oil companies, "and that requires the availability of a certain amount of human effort. We also have to have manpower resources for all our European projects."

Following the oil from the well to the gas tank and increasing its added value throughout the whole downstream process is KPC's key strategy. It has the only integrated Arab oil industry and holds the second-greatest refining capacity after Saudi Arabia. But it is also looking for more holes in the ground, or under the sea, from which to extract the basic resource.

Exploration and exploitation is now carried out by Kuwait Foreign Petroleum Exploration Company (KFPEC). Mr Mahmoud A. Al Rahmani, deputy managing director responsible for

planning and development, again reiterates the point about Kuwait's oil skill base.

"Our aim now is to open up new avenues for training more Kuwaitis in the oil industry," said Mr Mahmoud, who believes that Kuwait's determination, financial capital and technical know-how are essential ingredients in KFPEC's strategy for joint ventures overseas.

Although drilling and operating costs have fallen dramatically to about \$20,000 a day or less compared to \$50,000 to \$60,000 a few years ago, KFPEC has decided to concentrate its efforts on "more mature areas" and to withdraw from the high-risk projects. Last year was mainly one of consolidation and Mr. Mahmoud said the company is trying to improve its exploration portfolio and forget the "one-shot" opportunities.

One of KFPEC's most successful ventures has been in Tanzania. More recently it has made a major gas find with Arco in the South China Sea. Currently estimated at about 3 trillion cubic meters, it is one of the biggest finds in the region. Other projects are being developed in Indonesia, Australia and Egypt. This year KFPEC will be participating in about 20 drilling programs worldwide.

(Continued from page 9)

for interest-free loans and re-scheduling spread over a period of up to 15 years.

A Central Bank spokesman says: "When you consider the measures which we have introduced for credit settlements, I don't think any other country in the world could have brought in such measures and safeguarded the interest of bank depositors and shareholders, who will not suffer any loss whatsoever."

Under the terms of the agreement, every debtor will in fact pay back according to his means and will undergo a detailed investigation of his assets, both at home and abroad. False, or misleading, declarations will incur legal action and severe penalties. In addition, the Central Bank is encouraging the commercial banks to increase their profitability and to build up reserves in order to combat any future bad debts.

The banks have been given a maximum of two years from last August to apply the Settlement Program. A special banking committee has been established to investigate difficult cases, such as those that might involve contractors and real-estate companies. Another committee will act as a court of appeal. Two special courts have been established to deal with debtors who make false declarations. Swift justice is promised.

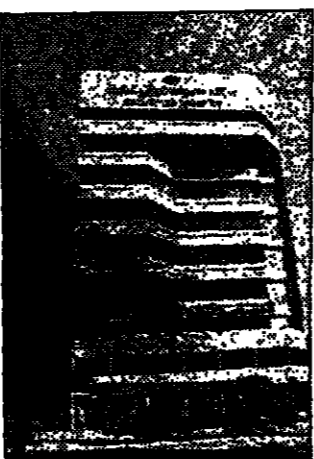
So far everything appears to be going fairly smoothly. The governor of the Central Bank, Sheikh Salem Abdul-Aziz Al-Saud Al Sabah, comments that: "There has been a very encouraging response to the program and 76.7 percent of the people have declared their assets following the first call from the banks. Of those who have responded, about 78.2 percent have in-

fact completed their applications under the Settlement Program."

Sheikh Salem took over as governor last September. Nobody wants to rock the Kuwait money boat any longer and Sheikh Salem, aged 36, an economics graduate from Beirut's American University, and a member of the Kuwait royal family, is determined to make certain that Kuwait banks maintain an even keel. Banks will be more closely supervised, they will be encouraged to diversify and generate more fee-earning services, and they must make profits and distribute part of their income.

Without exception, the commercial banks welcome the Settlement Program and the new measures. The injection of capital in one form or another from the Central Bank has boosted their 1986 balance sheets, which are now being presented for approval. At the end of October, total commercial bank assets stood at KD 9.6 billion (\$34.7 billion).

Mr. Abdul Salam A. Al Awadi, deputy chairman and managing director of Alahli Bank, agrees that on the



Securities group headquarters.

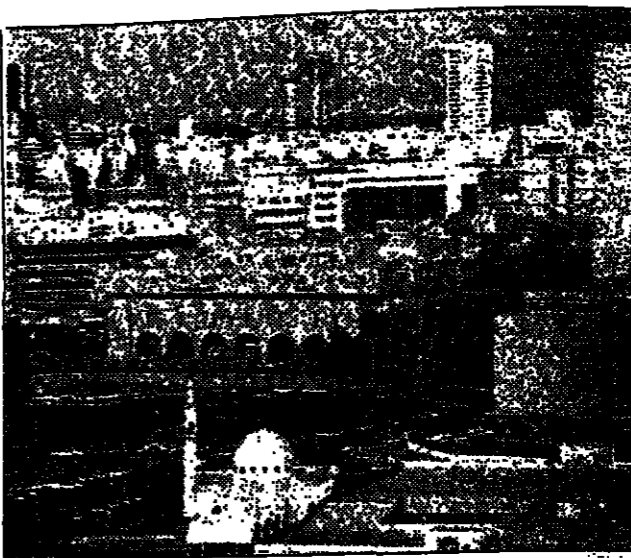
whole the commercial banks will have done better last year. "Of course we are now feeling more secure," he says. "The settlement program is unique for this re-

gion even if you compare it on an international basis. The state is supporting all Kuwaiti banks and has committed itself to maintaining their security and that of individuals. We have started implementing the program with very encouraging results to date."

Mr. Abdul believes that the measures applied to

puts an end to the Souk al Manakh crisis. The government is eager to reactivate the economy. Most importantly, we have all got our confidence back."

Speaking for all the banks, Dr. Farid Ahmad Kalendar, general secretary of the Kuwaiti Banks Committee, sums up the present position: "Now that we have



Kuwait City center with towers in background.

declaration of assets will be strictly followed. "If a client is not honest with us, he will really get hurt, not just for a couple of years, but for at least ten years."

Mr. Fahad Abdulrahman Al Bahar, chairman of the Bank of Kuwait and the Middle East, has a slightly more cautious view. He does not believe that everything can be solved right away. "The program is going well and the results are encouraging," says Mr. Fahad. "I do not think we could have got a better deal anywhere else. Now that all our troubles and crises have been brought together, we have an opportunity to solve all these problems in one go."

Mr. Mohamed Aqeel Tawfiq, acting general manager of Burgan Bank, which is majority-owned by the government, is now very optimistic: "We needed a program like this which almost solves most of the issues and implemented the government's program, we are in good shape."

Kuwait has no doubt learned a bitter lesson from what, in hindsight, most financiers agree was an inevitable crisis. But only an Islamic country with the economic strength of Kuwait, developed since the first oil revenues started flowing in substantial quantities 30 years ago, could have coped with such a catastrophe — and emerged with its financial clout intact. The only blot on the horizon, and it is uncomfortably close, is the continuing Iran-Iraq war, which, as well as being a drain on some Arab resources, has disrupted the local export-import trade.

"When that war is over it will put the heart back into our traders and especially the contractors," says Commercial Bank's Raid Al Ahmad.

THE NEW SIGN OF BUSINESS IN THE MIDDLE EAST.



AL AHLI BANK OF KUWAIT (K.S.C.)
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 Head-Office: Tel: 241101. Telex: 220675. Fax: 242 4867
 Money Market and Foreign Exchange: Tel: 242898. 2441136. Telex: 44426. 44429

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BKME's Auto Teller service offers you immediate cash from your Current Account or Savings Account of up to KD. 500/- per day. No other Bank in Kuwait offers so much cash.

Auto teller is not the only service offered by BKME. Other services include:

<p>Retail</p> <ul style="list-style-type: none"> Current Accounts Savings Accounts Fixed Deposits Ready Reserve Facilities Amex Gold Card Safe Deposits Call Accounts 	<p>International</p> <ul style="list-style-type: none"> Local Project Financing Merchant Banking Multi Currency Capital Issues Credit and Trade Information 	<p>Treasury</p> <ul style="list-style-type: none"> KD Currency Deposit Facilities Foreign Exchange Operations <p>Banking</p> <ul style="list-style-type: none"> Commercial Loans Acceptance Financing Financing of Contracts 	<p>Foreign</p> <ul style="list-style-type: none"> Import / Export LCs Documentary Collections Advances Bill Discounting Operations Foreign Drafts
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THE BANK OF KUWAIT & THE MIDDLE EAST K.S.C.
BKME

هكذا من الأهل

Post-Settle

Our...

This...

We...

Our...

This...

We...

Our...

This...

We...

ADVERTISING SECTION

ADVERTISING SECTION

Post-Settlement Banking

Now that the Government rescue package is being implemented, Kuwaiti banks are once again getting down to the serious business of making money and are heeding the Central Bank's edict to improve their balance sheets.

One year ago bankers had nothing much to talk about except doom and gloom. Today the situation could not be more different and there are sighs of relief all round the banking towers of Safat and Sharq.



Mr. Ibrahim S. Dabdoub, chief general manager and chief executive of the National Bank of Kuwait.

The one exception during the turbulent eighteen months has been the National Bank of Kuwait (NBK). Its happy camel logo is no mirage. NBK, formed in 1952 by a group of merchants, reflects the growth of Kuwait during the heady years of the petrodollar era at the start of the 1970s. What has made NBK different was that it recognized as early as 1980 that the post-1974 oil boom would eventually slow down.

"The challenge to the entire financial system in the Gulf and to commercial banks in particular was not hard to predict," says Mr. Ibrahim S. Dabdoub, NBK's chief general manager

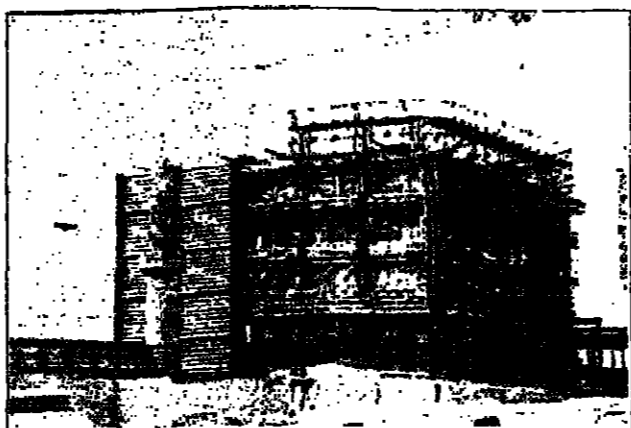
and chief executive officer. The decline in oil revenues was accompanied by a fall in government expenditure, the prime mover not only in Kuwait but throughout the Gulf. Consequently, NBK decided on a strategic business policy based on greater internationalization, a move into investment banking services and a consolidated position as a leading domestic bank.

"We are first of all a Gulf regional bank, which is very important as it means that our customer base is essentially in the Gulf Cooperation Council countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates)," says Mr. Dabdoub.

Since implementing its new strategy, the bank has grown rapidly in terms of representation in the Gulf and overseas, as well as in assets and profits. It has branches in London, New York and Singapore as well as investment subsidiaries in Geneva and London. Last year it took a controlling interest in the Paris-based FRAB Bank International, whose French and Bahrain operations have been incorporated into NBK's global network.

During the early 1980s, NBK was more prudent than most in making provision for non-performing loans. It increased its banking services and its customer base. Last year its balance sheet figures increased to \$11 billion and it paid out a cash dividend of 20 percent plus 10 percent bonus shares.

The National Bank of Kuwait's strong professional reputation is matched by its overseas growth. This, says Mr. Dabdoub, has assured it the confidence of its Gulf customers. "We talk their language. They have confidence in us as an institution



When construction work is completed this spring, the Central Bank of Kuwait will have doubled in size.

which has maintained profitability. We have a sound capital base and a stable management," adds Mr. Dabdoub, who has been with NBK for 27 years.

The bank has also taken a lead in launching new investments. A recently launched bond issue attracted \$30 million in four months and NBK is now launching Kuwait's first international equity fund.

Looking to the future, Mr. Dabdoub sees NBK acting very much as the flow base for trade finance, wholesale banking and investments between the GCC countries and the rest of the world.

Product innovation has also played an important role at Gulf Bank, whose strong international presence includes branches in New York, Singapore and a representative office in London as well as 30 domestic branches. It too has seen an opportunity to turn adversity into opportunity by the development of modern banking technology.

Dr. Yousef A. Al Awadi, Gulf Bank's chief general manager and chief executive officer, says that apart from putting all efforts into making the loan Settlement Program a success, the bank is

looking at new delivery systems for both retail and institutional clients and more innovative products. "The trend now is away from interest income to more fee-earning services," says Dr. Yousef, whose bank now has assets of around KD 1.8 billion (\$6.5 billion). "In terms of operational profit, 1986 was a little higher than what we had anticipated," he adds. Figures are at present with the Central Bank awaiting approval.



Dr. Yousef A. Al Awadi, chief executive manager and chief executive officer of The Gulf Bank.

The most recent product introduction is "Corporate One" — a cash management account aimed at corporate clients with large cash-flow requirements. It provides an investment and credit facility with a transaction account offered in five currencies. "Corporate One" follows the launching two years ago

The Settlement Program: Pay Little, Pay Longer

On August 11, 1986 the Central Bank of Kuwait published its long-awaited 18-page policy document on how the commercial banks and financial institutions were to deal with insolvent borrowers and non-performing loans following the stock market crash in 1982. It also outlined guarantees for the banks' shareholders and depositors. The National Bank of Kuwait summarizes the main points of the program, seen as a unique model and welcomed by the Bank for International Settlements, as follows:

"The 'difficult credit facilities settlement program' has three mainstays:

One: Guaranteeing the rights of the banks' shareholders and depositors.

Two: Allowing debtors a dignified standard of living. Three: Rescheduling non-performing loans over a period of 10-15 years, depending on whether debtors can generate regular cash flows or not.

The debt of insolvent borrowers with uncertain cash flow will, accordingly, be governed by the following guidelines:

A. The bank will provide borrowers with a ten-year loan, bearing zero interest rate, equal to the value of all mortgageable assets on the date of the settlement and to be repaid in one of three ways: liquidating the collateral, acquiring the assets by the creditor bank, or through income generated by the assets.

B. The bank shall issue a

non-interest bearing promissory note, maturing after ten years, equal to the difference between the total debt outstanding and the current value of mortgageable assets.

In contrast, insolvent borrowers with regular cash flows will be subject to different settlement criteria.

One: The bank shall reschedule the outstanding debt for 15 years at the maximum interest rate of 7 percent per annum, to be repaid from the borrower's cash flow.

Two: The bank shall issue a non-interest bearing promissory note equal to the difference between the total debt outstanding and the amount rescheduled. This instrument would mature with the full repayment of the rescheduled portion of the customer's debt, with the possibility of extending its maturity in the light of any changes in the customers' financial position or cash flow.

services. This is precisely the kind of thinking which is being encouraged by the Central Bank.

As for the Commercial Bank, it has gained a considerable reputation for its banking systems technology and product development. It has a full branch in New York and its London representative office is to be upgraded to branch status in the near future. Mr. Raid M. Al Hamad, Commercial Bank's deputy general manager, says of the domestic

banking scene today: "It is all ticking like a Swiss clock and we find everything running very smoothly now."

Computerization has been a key element in the bank's development both domestically and abroad. "During the last two or three years the main thrust of our activities has been to upgrade our technology throughout our entire 55-branch network," says Mr. Raid. He speaks enthusiastically about future developments involving home bank-

ing, POS (point of sale) and shared ATM (automatic teller machines) networks overseas. Through its link with Visa card, Commercial Bank already has access to some of the 10,000 ATMs around the world. It has about 3,000 Visa card holders in addition to its own autobank card, which has a circulation of



Mr. Raid M. Al Hamad, deputy general manager, Commercial Bank of Kuwait.

90,000 among its customers in Kuwait, the highest number anywhere in the Gulf.

In order to increase its fee-earning services, Commercial Bank has undergone a major reorganization of its principal profit centers and introduced a special investment desk at its New York branch for high net-worth individuals. It is now looking at possible expansion in the Far East.

Another bank which is expanding both upwards (into a brand new \$59 million tower block) and outwards (with a new branch in Dubai) is Alhadi Bank. It has had an interest in Dubai for some time but has now become the first Kuwaiti bank to open its own full branch office in another GCC country. "We also plan to develop internationally as well as domestically," says Mr. Abdul Salam A. Al Awadi, deputy chairman and managing director. This year it is to open a representative office and investment com-

(Continued on page 12)



ANATOMY OF A STAR

Our star comprises four arrowheads, each of which contain, in Arab calligraphy, two words: Commercial Bank.

This is the corporate symbol of the Commercial Bank of Kuwait, famous for its pioneering approach to Middle East banking.

We were the first Kuwaiti bank to establish a foreign exchange dealing room; first to introduce automated letters of credit; and first to link all branches on-line to a central computer.

Now we're leading the way with forward rate agreements, interest rate swaps, currency options and interest rate options.

With strong contacts in 89 countries many major companies are already enjoying the benefits of our services. So could you. And at very competitive prices, too.

Bear us in mind next time you have a special need. Commercial Bank of Kuwait promises you an open mind and some very imaginative thinking.

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Commercial Bank of Kuwait

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In 1938 a small electrical shop.
.....In 1987 one of Kuwait's major business conglomerates.....
.....That summarises Al Mulla Group's steady growth over the past 49 years.... providing Quality products and Reliable Services of a wide variety.... Be it Automobiles or Foods, Heavy Equipment or Domestic Appliances, Cleaning & Maintenance Services or Project Engineering, Car Rentals or Security Services, Luxury Boats or Travel Services. Computer Services.....
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The Al Mulla Group - Kuwait.

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel: 01-623-1277. Prices may vary according to market conditions and other factors.

Dollar Straights table with columns for Issuer, Con Mat Price, Yld, and various bond details.

American Exchange Options

Figures as of close of trading Friday, March 20

Large table of American Exchange Options with columns for Option & price, Calls, and Puts.

Chicago Exchange Options

Figures as of close of trading Friday, March 20

Large table of Chicago Exchange Options with columns for Option & price, Calls, and Puts.

Table of International Bond Prices for various countries including Canada, United Kingdom, and United States.

DM Straights

Table of DM Straights with columns for Issuer, Con Mat Price, Yld, and various bond details.

Western Europe (Other)

Table of Western Europe (Other) with columns for Issuer, Con Mat Price, Yld, and various bond details.

Non-European

Table of Non-European with columns for Issuer, Con Mat Price, Yld, and various bond details.

Dollar Zero Coupons

Table of Dollar Zero Coupons with columns for Issuer, Con Mat Price, Yld, and various bond details.

Scandinavian

Table of Scandinavian with columns for Issuer, Con Mat Price, Yld, and various bond details.

Sapranthol

Table of Sapranthol with columns for Issuer, Con Mat Price, Yld, and various bond details.

Consolidated Balance Sheet

Consolidated Balance Sheet as of 31 December 1986, listing assets and liabilities.

Assets

Assets section of the balance sheet, including cash, securities, and other assets.

Liabilities

Liabilities section of the balance sheet, including deposits, loans, and other liabilities.

Capital Resources

Capital Resources section of the balance sheet, including equity and reserves.

Shareholders' Funds

Shareholders' Funds section of the balance sheet, including share capital and reserves.

Total Capital Resources

Total Capital Resources section of the balance sheet, including total assets and liabilities.

Large advertisement for WestLB (Westdeutsche Landesbank) featuring the text 'Fixed Income and Equities Trading - for dealing prices call:' and contact information for various international offices.

Handwritten Arabic text at the bottom of the page: 'هكنا من النحل'

NASDAQ National Market

OTC Consolidated trading for week ended Friday, March 20

Main table containing NASDAQ National Market data with columns for stock symbols, prices, and volume. Includes sub-sections like 'Selling in 100s High Low Close Chgs' and 'Buying in 100s High Low Close Chgs'.

Vertical advertisements on the right side of the page, including 'New Int...', 'ROBOND...', and 'PROBOND...'.

Handwritten text at the bottom center of the page: 'مكتبة النحل'

New International Bond Issues

Compiled by Laurence Desvillettes

Table of New International Bond Issues with columns for Issuer, Amount (millions), Mat., Coup., Price, Price end week, and Terms. Includes sections for Floating Rate Notes, Fixed-Coupon, and Equity-Linked.

FRN Prices Improve, But the Shadow Remains

By Carl Gewirtz
International Herald Tribune
PARIS — Prices of dated floating-rate-note bank paper improved last week, but the previous week's upset and the continuing uncertainty about what banks will have to pay to borrow funds in the future is casting a shadow over the international credit market.

The 10-year loan of 5 billion yen is divided equally between a domestic fixed-rate portion, with interest set at the long-term prime rate and to be revised after five years, and a Euroyen floating-rate loan. The Euroyen loan bears interest at 3/4 point over Libor for the first five years and 1/2 point over Libor thereafter.

Japanese bankers say Indonesia should have been expected to pay at least 3/4 point over Libor for the money, with some arguing that a split of 1/2 to 3/4 point over Libor would have been more realistic.

Elsewhere in the credit market, MAI PLC (formerly Mills & Allen International Group), a British financial services and advertising group, is seeking a \$100 million, five-year multi-option facility. It will pay an annual fee of 7/8 basis points.

U.S. & short-term 8 1/2 yrs & over public issues 8 1/2 to 9.00
10 1/2 yrs & over 8.25 to 8.50
15 yrs & over 7.75 to 8.00
French francs, less than 5 yrs 8.00 to 8.25
5 to 7 yrs 8.25 to 8.50
5 to 7 yrs & over 8.50 to 8.75

Weekly Sales
Strategies 52420 112120 116120 528000
Investment 28120 28120 28120 28120
FRNs 1580 20720 20720 20720
ECP 74200 9720 20720 20720
Total 128120 144120 144120 144120

International Bond Prices

Table of International Bond Prices with columns for Issuer, Con, Mat, Price, Yld, Cur, Yld, and various bond types like Eurobonds, Yen Bonds, etc.

Listing above does not include floating rate notes or convertibles. Coupon, price and yield are expressed in percent. For dollar-denominated issues, bid/ask is dollar bid and offer. For yen-denominated issues, bid/ask is yen bid and offer. Prices and yields are on a bid basis. Pp. private placement. X: no warrants.

Yen Straights
A D C 7 1/2 1120 4.07 4.02
A I D C 7 1/2 1120 4.07 4.02
Allied Corp 7 1/2 1120 4.07 4.02
Amex 7 1/2 1120 4.07 4.02

ECU Straights
Aeson 7 1/2 1120 4.07 4.02
Aeroflot 7 1/2 1120 4.07 4.02
All Nippon Air 7 1/2 1120 4.07 4.02

AMEX Most Actives
Wick 3425 2425 2425 2425
Wendell 2425 2425 2425 2425
Wendell 2425 2425 2425 2425

NYSE Most Actives
Philipp 12120 12120 12120 12120
Philipp 12120 12120 12120 12120
Philipp 12120 12120 12120 12120

AMEX Sales
Total for week 74200000
Year ago 74200000
Week over 74200000

NYSE Sales
Total for week 910150000
Year ago 910150000
Week over 910150000

AMEX Diaries
Advanced 442 428
Advanced 442 428
Advanced 442 428

NYSE Diaries
Advanced 1245 1007
Advanced 1245 1007
Advanced 1245 1007

NASDAQ National Market
OTC Consolidated trading for week ended Friday.
Sales in 100s High Low Close Net

EUROBONDS: Morgan Transforms Dross Into Gold

(Continued from first finance page)
Thus, Westpac's perpetual would have to drop in value more than another 33 percentage points from 88 to less than 55, for the speculation in the PSL zero to be considered profitable.

Thus, Westpac's perpetual would have to drop in value more than another 33 percentage points from 88 to less than 55, for the speculation in the PSL zero to be considered profitable.

Bond Prices Dip, Capping Slow Week

By H.J. Maidenhead
New York Times Service
NEW YORK — Bond prices continued to meander in a narrow range late last week before closing slightly lower on selling linked to the expiration of the spot March Treasury bond futures contract.

Intermediate Treasury issues were basically unchanged, and the discount rates on bills were up 3 basis points on all maturities.

The light selling in the cash market on Friday came after a large amount of the March futures was sold moments before the contract expired, according to Chicago traders.

U.S. CREDIT MARKETS
discount rates on bills were up 3 basis points on all maturities.
The light selling in the cash market on Friday came after a large amount of the March futures was sold moments before the contract expired, according to Chicago traders.

Boston Globe Parent Buys Billboard Magazine

NEW YORK — Affiliated Publications, the parent of The Boston Globe newspaper, has bought Billboard Publications Inc. for \$100 million.

U.S. Consumer Rates

U.S. Consumer Rates
March 20
Prime Rate 5.25%
1 Year T-Bill 7.125%

SPORTS

France Defeats Ireland for Rugby Sweep

DUBLIN — France completed a sweep of its Five Nations rugby matches with a 19-13 defeat of Ireland here Saturday. Flanker Eric Champ scored both French tries and right wing Philippe Berot kicked a conversion and three penalty goals.

Fourth 'Slam' in Two Decades

By Bob Donahue. PARIS — The grand slam, it is called: a rare, four-for-four clean sweep. The Five Nations tournament in its present form was 58 years old before France did it first time.



CENTERS IN MOTION — Denis Charvet attacks, with Philippe Sella in support and Ireland's Michael Kiernan defending.

Four slams in 20 years — compared to three for Wales (1971, 1976, 1978), one each for England (1980) and Scotland (1984) and none for Ireland — confirm French ascendancy in Europe.

Two frequent critics of Fouroux have been answered. One was that the French lacked discipline. But the penalty-goal tally against them this year was only 12-9, and in three matches they engineered cool comebacks.

Great Irish defense — and sloppy French handling — spoiled half a dozen scoring chances, as France spent most of the match deep in Irish territory. Berot's first penalty finally made it 10-3 at halftime. France tries came in the ninth and 18th minutes of the second half.

SPORTS BRIEFS

Iowa State Ends Iowa's Wrestling Reign

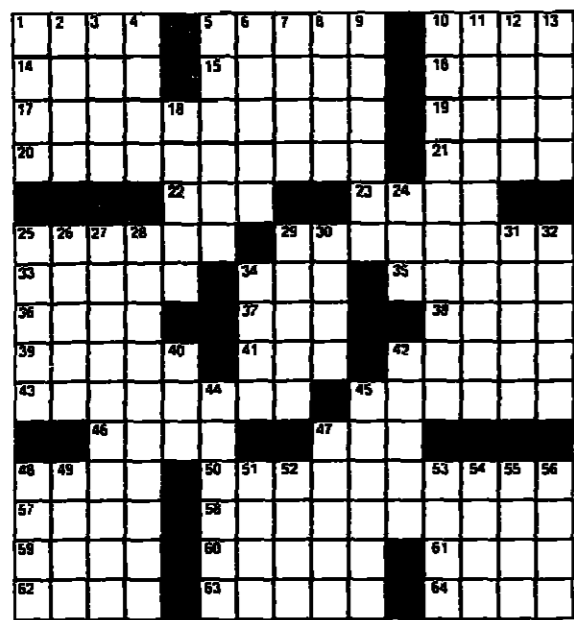
COLLEGE PARK, Maryland (AP) — Iowa State, on Bill Kelly's upset victory Saturday at 126 pounds (57 kilograms), ended archrival Iowa's nine-year reign as U.S. college wrestling champion by winning the NCAA Division I title.

Crenshaw Takes Lead in New Orleans Golf

NEW ORLEANS (AP) — Ben Crenshaw birdied three of the first five holes Saturday en route to a five-under-par 67 and a two-stroke lead after three rounds of the USF&G Classic golf tournament.

Howser Recovering

PASADENA, California (AP) — Dick Howser, 50, the former manager of major league baseball's Kansas City Royals, was listed in good condition following a third operation for a malignant brain tumor.



- ACROSS: 1 Venetian traveler, 5 Golden Horde member, 10 Novelist, 14 Composer, 15 Dispense with nuptials, 16 Polynesian gesture dance, 17 Actress from Wash., 19 Plod in mire, 20 Singer from Mich., 21 Seize sights, 22 Buddhist branch, 23 Anagram for dove, 25 Subsidized gradually, 29 TV performer's reward for reruns, 33 Aids a felon, 34 Sail afore the foremost, 35 Slow, to Mehta, 36 Singing sensation, 37 Springsteen's birthplace, 38 Spanish length unit.

© New York Times, edited by Eugene Malachuk.

DENNIS THE MENACE



'Wow! We musta polished off the whole cow this time!'

JUMBLE THAT SCRAMBLED WORD GAME

Word game section with a grid and a cartoon illustration of a man with a bomb. Includes the words PLIME, ATEAB, ENSCOD, and TOSEFF.

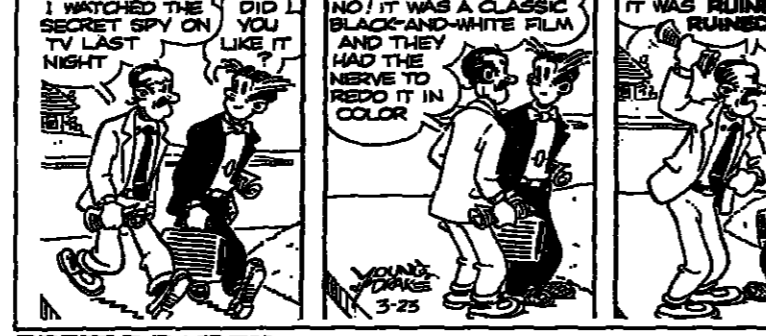
WEATHER

Table with weather forecasts for Europe, Asia, Africa, Latin America, North America, Middle East, and Oceania. Columns include location, high, and low temperatures.

PEANUTS



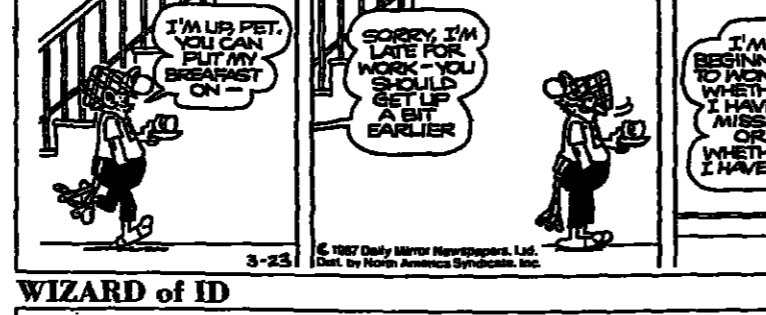
BLONDIE



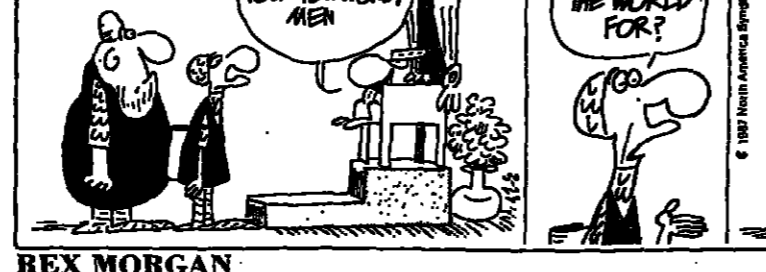
BEEBLE BAILEY



ANDY CAPP



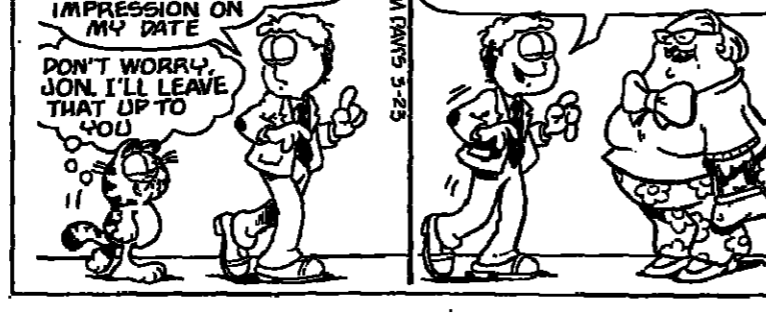
WIZARD OF ID



REX MORGAN



GARFIELD



WORLD STOCKS IN REVIEW / Via Agence France-Press

Amsterdam: Prices turned weaker early last week on the Amsterdam stock exchange. A declining dollar, renewing uncertainties in the banking world, and profit taking were among factors blamed for the downturn.

Frankfurt: The Frankfurt stock exchange last week turned in its worst performance since October 1985, as share prices lost 5 percent and the Commerzbank index gave up 67.2 points to close at 1,644.5.

Hong Kong: Bargain hunting on Wednesday and Friday reversed a downward trend on the Hong Kong stock market and helped push the Hang Seng Index up 59.37 points to 2,780.55 at the close Friday.

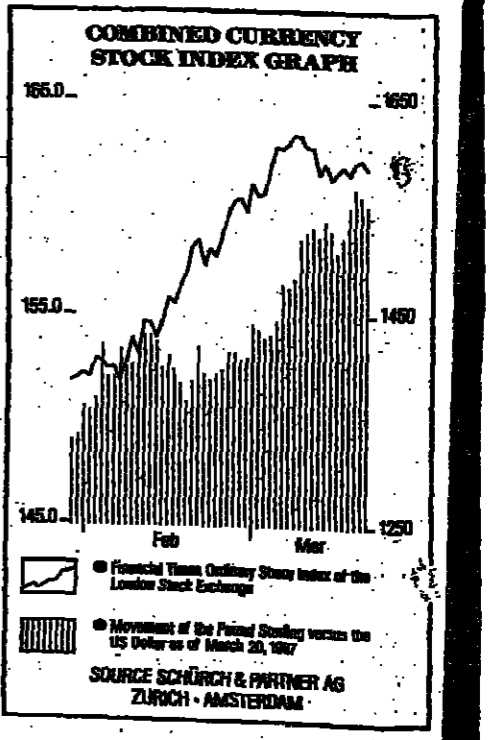
London: Shares were firmer on balance last week on the London Stock Exchange, helped by favorable response to the chancellor of the Exchequer's annual budget speech.

Milan: Foreign investors returned to the Milan stock exchange last week, contributing to a 3.96 percent rise in the COMIT index after several lackluster weekly performances.

Paris: Share prices on the Paris Bourse advanced last week and analysts said the market appeared ready to break out of the doldrums.

Tokyo: Share prices, supported by bullish market trends worldwide, kept rising on the Tokyo Stock Exchange last week, with the two key market indicators soaring to record highs Tuesday and Wednesday in extremely heavy trading.

Zurich: The anticipated recovery on the Zurich stock market failed to materialize last week when nearly all Swiss shares closed lower.



مکانن العرب

LANGUAGE

The Lingo of the Deck

By Douglas Starr

NEW YORK — For hundreds of years — from Columbus until after World War II — the vast bulk of immigrants to the United States came by sea and brought the language of the sea ashore with them. When sea language came ashore, it did what sailors often do: It changed to meet the new situation. For example, one sea expression in common shore use is "the devil to pay," but this is really only half the phrase. The entire original was "the devil to pay and no pitch left." The "devil" was not Satan but the longest seam — just below the main deck, between two planks on the vessel's hull — running from stem to stern without a break. "Pay" was the seaman's term for putting caulking into a break. The only way to caulk that seam was for the seaman to be lowered over the side of the vessel on a stage or bosun's chair, with among other things, a bucket of hot pitch. In any kind of sea, this could be rough work. Even in port, it was difficult. And, of course, as the pitch cooled, the work became harder. Thus, initially, "the devil to pay" described a difficult task, almost a punishment. Now, it describes a threat, with the outmoded pitch eliminated. Another nautical term that has undergone a transformation is "first shot out of the locker." Today, this means "what happens first." Initially, it meant that what followed would be just as smooth. "Shot" referred not to a gun, but to a length of anchor chain measuring 15 fathoms (90 feet). The chain was kept in a locker in the bows of the vessel. If the first "shot" out of the locker ran smoothly after the anchor was let go, chances were that the rest of the chain would run out just as smoothly. The initial meaning and today's meaning of "no room to swing a cat" are similar — confined quarters — but the origins of the phrase are more ominous. The "cat" was a whip, the cat-o-nine-tails, used to flog seamen for a variety of offenses. It had nine strands, each 18 inches long and knotted at the ends and, sometimes, in the middle, all of which was designed to provide maximum pain with minimum effort. Punishment was meted out with the victim lashed to an upended grating of "deck" to swing the bosun on the victim's bare back. After the War of 1812, flogging fell into disuse. But traditionally, the brutal punishment was administered on the Monday after the offense, leading to the expression "blue Monday." When the cat was not in use, it was kept in a bag. To "let the cat out of the bag," therefore, meant that someone was about to be flogged. Today, it means merely "to give away a secret." Contrary to the way it sounds, "mind your p's and q's" initially had nothing to do with the letters of the alphabet. It had to do with how much each seaman drank. At waterfront establishments, seamen could run up a tab to be paid as they left. The pints were listed under "p" and the quarts, under "q." It therefore fell to the quartermaster to ensure that the seamen were sober enough to serve on the vessel. So, as they left the vessel for an evening of revelry, he would admonish each one to "mind your p's and q's" — don't drink too much. "Son of a gun" — now an appellation, or an interjection indicating surprise or amazement — has its roots in a colorful history. Because sailing voyages sometimes lasted three or four years, quite a few sailors and some officers took their womenfolk with them. Naturally, pregnancies occurred and births at sea were not uncommon. Sometimes, when a woman in labor was having too difficult a time, she would be taken out to lie by the vessel's cannon, which was then fired to provide the necessary impetus. Today, "take the wind out of his sails" means to outdo someone, to get the better of someone. For sailors, it meant, literally, to put their vessel to windward of another vessel so as to block the wind from the sails of the other vessel, which happened several times during the recent America's Cup races. Douglas Starr, a professor of journalism at Texas A&M University, writes this column for The New York Times. William Safire is on vacation.

Halston, Fashion Hostage

By Lisa Belkin

NEW YORK — Halston, the legendary fashion designer, sits in the two-story living room of his multimillion-dollar town house, his face slicked with bronzing gel. He wears a black turtleneck, black slacks and red blazer, the outfit that was his signature when he was the United States' foremost fashion designer. A fire fills the fireplace, white orchids fill the entry. Halston puffs a cigarette through an elegant white holder. It is a scene that Halston has staged many times before, in better days. Days when he created clothes for Jacqueline Kennedy, Lauren Bacall, Liza Minnelli and Bianca Jagger. Halston was the first American designer-celebrity. He was one of the first to define American fashion, taking the understated, casual, comfortable clothes that American women love and making them of the most luxurious and expensive of fabrics. But if his clothes brought him into the spotlight, it was his personality that kept him there. He had an air of the grand seigneur, an insistence that only the most expensive and exquisite things surrounded him. Then he lost it. Halston, once an example of everything a designer could want, has become an example of everything a designer hopes to avoid. Although he ventures out from time to time and his face — older, more worn and less cocky — is sometimes pictured in the society news, he is mostly a recluse in his home, virtually a prisoner of the business agreements he entered into in 1973. The candles began to flicker when Halston signed the agreement that has since ruined his life. He owned Halston Limited, which produced a line of ready-to-wear clothes and custom-designed couture clothes. He had also entered into licensing agreements allowing other companies to manufacture and sell such products as shoes and handbags bearing his name. The practice is common in the fashion industry, and it has accelerated in the last decade. Licensees pay a designer's company royalties of 5 percent to 7 percent of the money they make, which he, for products bearing the designer's name. But Halston felt he needed a firm hand to keep his business on track, and he wanted an infusion of capital bigger than any license would bring in. He had in mind selling his whole business and himself along with it. He had been approached by representatives of Revlon and Chanel, felt uncomfortable with



Halston in his New York office before the fall.

them, but found what he thought he needed in David J. Mahoney, chairman of Norton Simon Inc., a conglomerate that wanted to create an expensive designer perfume to upgrade its image. On Nov. 5, 1973, Norton Simon paid \$16 million for the ready-to-wear line, the couture operation and the Halston trademark. This allowed Norton Simon to use the name Halston for products the designer did not create. Halston could not use his name on any design product without Norton Simon's consent. Halston felt secure with Mahoney and was willing to put the future in his hands. Some trace the beginning of Halston's fall to the April night in 1977 when he first entered Studio 54. Halston met Steve Rubell, the brainy young co-owner of the newly opened discotheque, on a Sunday, and told him of a birthday party he was throwing for Bianca Jagger the next day. Halston asked if he could bring some friends to the club afterward; Rubell said Studio 54 was closed Monday nights. Halston raised one eyebrow and said, "Well, open it." Rubell did, and Halston became a regular at the club. Until then he had regularly arrived at his office at 8 A.M. and stayed past midnight. But now he would be at Studio 54 "until 4 or 5 in the morning, so he'd come in around noon," says Bill Dugan, who was Halston's assistant for 12 years. "At this point, the workroom had been there half a day waiting for work." There was talk that Halston had developed a problem with drugs. He refuses to speak about the rumors. Most of his friends agreed that he was no stranger to drugs, but disagreed as to their effect on his ability to work. "Drugs ruined his life," says one friend of 20 years, who asked not to be identified. His friend Berry Berenson says, "It was the 1970s, everyone was taking drugs. It wasn't a big thing then." In time Rubell served a prison term for tax evasion and Halston spent less time at Studio 54. But as one temptation faded, another took its place in the unlikely form of J.C. Penney, the chain of low-price department stores. Penney approached Norton Simon with the idea of a line of inexpensive Halston clothes to be sold exclusively in his stores. Once again Halston was faced with a company that wanted to use his name to enhance its image. Once again he agreed. Almost from the moment the deal was announced on Sept. 20, 1982, it became obvious that Halston had taken on too much. He was, in effect, designing for dozens of subdivisions within Penney.

April there has been a new series of corporate maneuvers and Halston wound up with Revlon. Halston is now negotiating with his new owners. One of the questions on the table is whether he will once again design. Nearly all his creations in the last two years were costumes, created without fee for Martha Graham's Dance Company. Revlon officials say they would like to find a niche for Halston, but stress they are not responsible for his turbulent past. Sol Levine, president of Revlon Inc., says: "All the other companies bought his company for other reasons. They wanted Wesson oil, they wanted Avis. The cosmetics business was something they didn't particularly want at all. We acquired it because we want it." The new ownership will work only "if Halston wants it to work," Levine says. "He has to meet us halfway."

Halston seems unsure about what he himself wants. "Obviously I want to do something, and I hope it's better than anything I've done before," he says. Many in the fashion industry say they hope the "something" includes a return to designing. But others question whether he can ever successfully design again. "Toward the end, his fashions were getting too strange, he was trying too hard," says Ellen Saitzman, fashion director of Saks Fifth Avenue. "He would have a lot to prove if he started over again." "It's a tragedy," says his friend Schumacher. "He had great talent, he was a genius, he was a great man." Then he winces. "No, I was a great man, a great man. Why do I talk about him in the past tense?"

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